

**MINUTES OF MEETING OF
THE AUDIT AND ETHICS COMMITTEE OF
THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY**

The Audit and Ethics Committee (the "Committee") of The University of Texas Investment Management Company (the "Corporation") convened in open session on **January 23, 2008**, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, 78701, said meeting having been called to order by the Committee Chair, Erle Nye, with notice provided to each member in accordance with the Bylaws. The audio portion of the open meeting was electronically recorded. Participating in the meeting were the following members of the Committee:

Erle Nye, Chair
Colleen McHugh
Robert B. Rowling
Charles W. Tate

thus, constituting a majority and quorum of the Committee. Also attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Joan Moeller, Secretary of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Cecilia Gonzalez, internal General Counsel for the Corporation; Bill Edwards, Managing Director of Information Technology; Uzi Yoeli, Director – Portfolio Risk Management; Debbie Childers, Gary Hill and Melynda Shepherd of Corporation staff; Jerry Turner, external General Counsel for the Corporation; Tom Wagner and Bob Connolly of Deloitte & Touche LLP; and Jim Phillips, Charlie Chaffin, Moshmee Kalamkar, Dean Metzger and William Huang representing The University of Texas System (the "UT System").

Chairman Nye called the meeting to order at 9:45 a.m. Copies of materials supporting the Committee meeting agenda were previously furnished to each Committee Member.

Approval of the Minutes

The first matter to come before the Committee was the approval of the Audit and Ethics Committee minutes of the November 5, 2007, meeting. By motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the Meeting of the Audit and Ethics Committee of the Board of Directors held on November 5, 2007, be, and are hereby, approved.

Presentation of Financial Statement Audit Results for the Corporation for the Period Ended August 31, 2007

Mr. Nye asked Mr. Tom Wagner, engagement partner from the independent accounting firm of Deloitte & Touche LLP, to present the audit results and necessary communications. Mr. Wagner confirmed the completion of the audit of the Corporation, summarized the process and reviewed with the Committee the

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Audit Results and Communications report covering required communications. As stated in the report, Mr. Wagner confirmed that 1) Deloitte & Touche LLP issued an unqualified opinion on the Corporation's August 31, 2007 financial statements, 2) there were no changes in accounting policies that impacted the Corporation's financial statement balances, and 3) accounting principles utilized by management are of good quality, are acceptable, and have been consistently applied under accounting principles generally accepted in the United States. The Corporation's financial statements and disclosures were complete in all material respects. Mr. Wagner stated that no material weaknesses regarding internal control were found during their audit procedures. Mr. Wagner answered the Committee members' questions.

Mr. Nye stated that he had met with Mr. Wagner earlier and Mr. Wagner did not report to him any concerns regarding management. Mr. Wagner stated they had nothing to report and were very complimentary of the Corporation's staff and the cooperation that Deloitte & Touche LLP had received throughout the audit process. Upon motion duly made and adopted, the following resolution was approved:

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications on the Corporation for the year ended August 31, 2007, be, and is hereby approved in the form as presented to the Audit and Ethics Committee, subject to approval by the Corporation's Board.

Mr. Nye asked Mr. Wagner to continue by reviewing the financial statements and audit report for the Corporation for the fiscal years ended August 31, 2007 and August 31, 2006. Ms. Moeller and Mr. Wagner answered questions of the Committee. Upon motion duly made and adopted, the following resolution was approved:

RESOLVED, that the annual financial statements and audit report for the Corporation for the years ended August 31, 2007, and August 31, 2006 be, and are hereby approved in the form as presented to the Audit and Ethics Committee, subject to approval by the Corporation's Board.

Unaudited Financial Statements

Mr. Nye asked Ms. Moeller to report on the unaudited financial statements for the Permanent University Fund, the General Endowment Fund, the Permanent Health Fund, the Long Term Fund, the Intermediate Term Fund (collectively, the "Funds"), and UTIMCO as of November 30, 2007. Ms. Moeller reviewed the Funds' financial statements and the UTIMCO financial statements, with Mr. Zimmerman, Ms. Moeller and Mr. Hill answering the Committee Members' questions.

UT System Audit Office Report

Mr. Nye asked Mr. Chaffin to present a report from the UT System Audit Office. Mr. Chaffin stated that at the next UT System Board of Regents meeting, there will be an agenda item recommending re-hire of Deloitte & Touche LLP as the external auditor for the Funds. Mr. Chaffin told the Committee that Amy Barrett was leaving the UT System Audit Office, having accepted a new job opportunity with the Teacher Retirement System of Texas, and explained that Moshmee Kalamkar and Dean Metzger would be working jointly to provide audit services to the Corporation going forward. Mr. Metzger gave a report on the audit of

the CEO's Expenses for the fiscal year 2007 that was recently completed by the UT System Audit Office and stated that it was a clean report with no material weaknesses found.


Mr. Nye then asked Mr. Chaffin to update the Committee regarding the involvement of Barb Davison of Investment Training and Consulting, Inc. ("ITCI"). Mr. Chaffin reported that the UT System Audit Office planned to continue working with ITCI to assist it in developing a "risk-focused" audit plan to review the investment activities at the Corporation. Based on ITCI's assessment, ITCI had drafted a proposal for two audits, one related to Fixed Income and the other related to Derivatives. Although no action was necessary, the Committee gave general consensus to go forward with these proposed audits. Mr. Zimmerman, Mr. Chaffin, and Ms. Moeller answered the Committee members' questions.

Compliance, Reporting and Audit Issues

Mr. Nye asked Ms. Moeller to give an update on internal compliance, reporting and audit issues. Ms. Moeller gave an overview of the quarterly reports related to compliance, the annual report of institutional compliance program, and the Corporation's annual compliance update and training. Ms. Moeller also presented current budget to actual expense statements for the Corporation, including capital expenditures. Mr. Zimmerman and Ms. Moeller answered the questions of the Committee members.

There being no further business to come before the Audit and Ethics Committee, the meeting was adjourned at approximately 10:30 a.m.

Secretary: 
Joan Moeller

Approved: 
Erie Nye, Chair
Audit and Ethics Committee
of the Board of Directors of
The University of Texas Investment
Management Company

Date: 4/24/08